

Message Text

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C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 01359

USDOC FOR BEWT

E.O. 11652: GDS
TAGS: ECON, GE
SUBJECT: HONECKER'S SPEECH TO SED FIRST SECRETARIES:
- FOREIGN TRADE AND PRODUCTIVITY STILL THE MAIN
- PROBLEMS

REF: (A) BERLIN 1306 (NOTAL)

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SUMMARY: THE PUBLISHED VERSION OF HONECKER'S FEBRUARY 17
ADDRESS TO KREIS LEVEL PARTY FIRST SECRETARIES DEALT
AT LENGTH WITH THE ECONOMY, STRESSING FAMILIAR
THEMES IN A SOMEWHAT MORE CANDID FASHION THAN USUAL,
BUT AVOIDING CONTROVERSIAL TOPICS. HONECKER REAFFIRMED
COMMITMENT TO RISING LIVING STANDARDS, DEFENDED
SUBSIDIES TO THE CONSUMER ECONOMY, AND DESCRIBED

GRAPHICALLY THE DEGREE OF THE GDR'S DEPENDENCE ON OUTSIDE SOURCES OF RAW MATERIALS. HE GAVE HIS BLESSING TO THE CURRENT DRIVE TO EXPAND THE ROLE OF THE "KOMBINAT" IN THE GDR INDUSTRIAL ORGANIZATION SCHEME. HE WAS CRITICAL OF INVESTMENT THAT FAILS TO EASE STRAINS ON THE LABOR SUPPLY; AND COMMENTS ON AGRICULTURE WERE CRITICAL OF PERFORMANCE DURING THE 1977 HARVEST. ALL IN ALL, AN EXHORTATION ALONG FAMILIAR LINES TO DO THINGS MUCH THE SAME WAY THEY HAVE BEEN DONE, BUT BETTER. END SUMMARY.

1. EXCERPTS OF HONECKER'S FEBRUARY 17 SPEECH TO KREIS LEVEL PARTY FIRST SECRETARIES PUBLISHED IN NEUES DEUTSCHLAND FEBRUARY 18-19 INCLUDED EXTENSIVE TREATMENT OF ECONOMIC THEMES. OVERALL, HONECKER'S PRESENTATION ON ECONOMIC SUBJECTS HAD A STRONG JAWBONING QUALITY, AND A POSSIBLY MORE URGENT, CRITICAL, AND FRANK TONE THAN WE HAVE OBSERVED IN PUBLISHED VERSIONS OF COMPARABLE ADDRESSES IN THE PAST. DOMINANT THEMES WERE THE REGIME'S CONTINUED COMMITMENT TO RISING LIVING STANDARDS, THE NEED TO RAISE PRODUCTIVITY THROUGH TECHNOLOGICAL PROGRESS AND RATIONALIZATION, AND THE CRUCIAL AND DIFFICULT PROBLEMS OF THE FOREIGN TRADE SECTOR. IN OTHER AREAS, PARTICULARLY ECONOMIC MANAGEMENT AND AGRICULTURE, THE SPEECH PROVIDED SOME CRITICISM AND AN IMPRIMATUR ON SOME NEW ADMINISTRATIVE

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AND MANAGEMENT PRACTICES.

2. A PASSAGE DEVOTED TO A DEMONSTRATION OF THE BENEFITS TO THE PUBLIC OF EAST GERMAN SOCIALISM LISTED IN SOME DETAIL THE SUMS EXPENDED IN 1977 TO SUBSIDIZE FOOD (M7.4 BILLION), MANUFACTURED GOODS (M2.7 BILLION), PRICES OF REPAIR AND OTHER SERVICES (M3.4 BILLION); AND WENT ON TO LIST AS WELL CONTRIBUTIONS FROM PUBLIC FUNDS TO THE COSTS OF HOUSING, EDUCATION, SOCIAL INSURANCE, HEALTH, CULTURE, AND RECREATION. HONECKER PRAISED THE PRACTICE OF SUBSIDIZING THE CONSUMER ECONOMY, AND IN A DEFENSIVE MANNER SCORNE WESTERN CRITICS OF THE GDR APPROACH, CONTRASTING UNFAVORABLY SUBSIDIES AND REBATES TO WEST GERMAN ENTREPRENEURS WITH EAST GERMAN CONSUMER SUBSIDIES.

3. THE HIGH AND RISING COST OF IMPORTS OF RAW MATERIALS WAS A CENTRAL PREOCCUPATION. HONECKER SAID THE GDR IS DEPENDENT ON FOREIGN SOURCES FOR 60 PERCENT OF RAW MATERIALS OVERALL; AND HE ADDUCED A LIST OF PERCENTAGE DEPENDENCIES OF THE GDR ON VARIOUS

RAW MATERIALS. HE SAID THE FOREIGN ECONOMIC ENVIRONMENT HAS CHANGED FUNDAMENTALLY AND CONTINUES TO CHANGE, AND REFERRED TO THE "MANYFOLD" INCREASE IN THE COST OF RAW MATERIALS FROM BOTH SOCIALIST AND NONSOCIALIST SOURCES. PROVIDING HERETOFORE UNPUBLISHED FIGURES, HONECKER SAID GDR FOREIGN TRADE IN 1977 AMOUNTED TO M91.7 BILLION, OF WHICH THE SHARE OF COMMUNIST COUNTRIES WAS M65.5 BILLION, AND NON-COMMUNIST COUNTRIES M26.3 BILLION. THESE FIGURES IMPLY AN INCREASE IN TRADE WITH COMMUNIST COUNTRIES OF 14 PERCENT IN 1977, AND A DECREASE IN TRADE WITH THE WEST OF AT LEAST 6 PERCENT.

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4. ADDRESSING THE TASKS OF INDUSTRY IN FAMILIAR TERMS,
HONECKER STRESSED THE NEED FOR TECHNOLOGICAL PROGRESS,

SINGLING OUT MICROELECTRONICS, CHEMICAL INDUSTRY, AND METALWORKING AS AREAS IN WHICH TECHNOLOGICAL INNOVATION CAN MAKE ESPECIALLY IMPORTANT CONTRIBUTIONS. HE PRAISED THRIFT IN PRODUCTION AND INVESTMENT, AND CRITICIZED IN FAIRLY SHARP TERMS BREACHES OF PLAN PRIORITIES AND PLAN DISCIPLINE BY MANAGERS WITH PET

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PROJECTS OF THEIR OWN. OTHER GENERAL ADMONITIONS WARNED AGAINST THE PRODUCTION, IN FULFILLMENT OF ENTERPRISE "COUNTERPLANS," OF UNSALABLE OUTPUT; AND INADEQUACIES IN THE PROVISION OF INDUSTRIAL AND CONSUMER SPARE PARTS WERE CRITICIZED.

5. INVESTMENT POLICY WAS TREATED EXTENSIVELY, WITH HONECKER DESCRIBING AS VITALLY IMPORTANT THE REDUCTION OF INVESTMENT COST PER UNIT OF CAPACITY. HE CRITICIZED THE LARGE SHARE OF OBSOLETE CAPACITY IN THE CHEMICAL INDUSTRY, WHICH REQUIRE EXCESSIVE COMMITMENTS OF MANPOWER; AND COMPLAINED THAT NEW INVESTMENTS IN THE CHEMICAL INDUSTRY, INSTEAD OF EASING THE STRAIN ON LABOR RESOURCES, HAVE INCREASED IT.

6. A SECTION OF THE SPEECH TREATING THE CURRENT EXPANSION OF THE ROLE OF THE VERTICALLY-INTEGRATED "KOMBINAT" EXTOLLED "KOMBINAT-IZATION" AS AN APPROACH THAT OFFERS GREATER EFFICIENCY AND CONCENTRATES ACCOUNTABILITY AND RESPONSIBILITY IN ONE PERSON. AT OTHER POINTS IN HIS PRESENTATION, HONECKER PRAISED IN SIMILAR TERMS THE PRACTICE OF HOLDING A SINGLE DIRECTOR PERSONALLY RESPONSIBLE FOR THE SUCCESS OF THE ENTERPRISE HE HEADS, AND OF EXPECTING OF MANAGERS PERSONAL COMMITMENT AND READINESS TO TAKE RISKS.

7. A SECTION ON AGRICULTURE STRESSED THE "LESSONS" OF THE DIFFICULT 1977 HARVEST, CRITICIZING THE MINISTRY OF AGRICULTURE, AND SUGGESTING MEASURES FOR DEALING BETTER IN THE FUTURE WITH POOR WEATHER HARVESTS. THE DEMAND FOR MEAT WAS DESCRIBED AS GROWING FASTER THAN FORESEEN IN THE FIVE-YEAR PLAN, NECESSITATING AN

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INCREASE IN MEAT PRODUCTION OF 6 PERCENT IN 1978. DISCUSSING MEAT PRODUCTION, HONECKER NOTED THAT IN 1977 FEED WAS IMPORTED FROM THE WEST TO EASE THE

SITUATION CREATED BY THE POOR 1977 HARVEST. A TARGET FOR GRAIN PRODUCTION OF 45.2 CENTNERS PER HECTARE IS SET FOR 1978, A MASSIVE JUMP OF 6 CENTNERS OVER THE AVERAGE OF THE PRECEDING 5 YEARS.

8. OVERALL, HONECKER'S PRESENTATION ON ECONOMIC TOPICS, AS CARRIED IN THE PRESS, WAS A LENGTHY, FAIRLY UNREMARKABLE LISTING OF THE TASKS AT HAND THAT STEERED CLEAR OF CONTROVERSIAL ISSUES, AS FOR EXAMPLE, THE HARD CURRENCY CONSUMER ECONOMY OR THE IMPORT OF EXPENSIVE WESTERN CONSUMER GOODS. REPEATING A FORMULATION THAT HAS BECOME PART OF THE CURRENT LINE ON THE ECONOMY, HONECKER IMPRESSED ON HIS LISTENERS THAT THE 1978 PLAN WILL BE DIFFICULT TO ACHIEVE IN THE FACE OF CURRENT PROBLEMS, ESPECIALLY IN RESPECT TO FOREIGN TRADE AND RAW MATERIAL PRICES, BUT THAT IT IS TO BE TAKEN SERIOUSLY; AND MANAGERS WHO TRY TO DUCK RESPONSIBILITY WILL NOT FIND THE FAVOR OF THE LEADERSHIP. THAT LARGE PORTIONS OF THE SPEECH APPEARED IN PRINT IS CONSISTENT WITH A CONTINUING TENDENCY TOWARD GIVING THE POPULATION MORE INFORMATION ABOUT THE DIFFICULTIES FACING THE COUNTRY, AN EFFORT WE THINK HAS THE DUAL AIM OF INSPIRING IMPROVED WORK PERFORMANCE AND PROVIDING A DAMPER ON THE CONTINUING RISE IN POPULAR EXPECTATIONS. POLANSKY

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